

PUBLIC DISCLOSURE

AUGUST 22, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BANK OF CAPE COD
CERT # 58270**

**232 MAIN STREET
HYANNIS, MA 02601**

**Division of Banks
1000 Washington Street
Boston, MA 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, NY 10118**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution CRA Rating	
	a. Overall Rating	1
	b. Scope of the Examination	2
	c. Description of the Institution	3
	d. Description of the Assessment Area	4
	e. Conclusions Regarding Performance Tests.....	7
III.	Appendices	
	Appendix A: Fair Lending Policies and Procedures	13
	Appendix B: General Definitions	14

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Division of Banks ("Division") and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Bank of Cape Cod (or the "Bank")**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **August 22, 2011**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Small Bank CRA evaluation procedures were utilized consisting of a review of the five lending criteria: Loan-to-Deposit ("LTD") Ratio; Assessment Area Concentration; Borrower Profile; Geographic Distribution; and Response to CRA Complaints. The rating is supported by the following conclusions:

- The Bank's averaged loan-to-deposit ratio (89.3 percent) is more than reasonable, given the institution's de novo status, size, financial condition, and assessment area credit needs.
- A majority of loans (58.2 percent) and other lending related activities are in the institution's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The Bank performed particularly well in small business lending in low-income census tracts.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

SCOPE OF THE EXAMINATION

This evaluation was conducted jointly between the Division and the FDIC. Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance, as established by the Federal Financial Institutions Examination Council ("FFIEC"). Small Bank Institution CRA evaluation procedures are utilized for institutions with assets of less than \$280 million as of December 31 of either of the prior two calendar years. These procedures evaluated the Bank's CRA performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and response to CRA complaints. The CRA evaluation considered activity from January 1, 2009 through June 30, 2011. The examination focused on small business lending and home mortgage lending.

Information concerning small business lending was derived from CRA small business loan application registers (LARs) maintained by the Bank. As a small bank, Bank of Cape Cod is not required to collect and report small business loan data; however, the Bank does maintain an internal LAR. Small business loans for the purpose of this evaluation are commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. Comparing the Bank's small business lending activity to small business aggregate data would not be appropriate, as the aggregate lenders are much larger institutions required to report small business data. Instead, the Bank's 2010 small business lending performance is compared to pertinent 2010 demographic information. Small business lending data for 2010 and the first 6 months of 2011 (YTD2011) is also referenced in the narrative to illustrate trends in the Bank's lending data.

This evaluation also considers home mortgage data. Home mortgage data analyzed included full-year data from January 1, 2009 through December 31, 2010 and the first six months of 2011 (YTD2011). Information concerning home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties.

In determining the weight given to each product line throughout the Lending Test, consideration was given to the Bank's current portfolio mix, which is discussed later under Description of Institution, as well as the total volume of loans made under each product line over the period reviewed. The first consideration showed that a total of 76.6 percent of the current loan portfolio consists of loans secured by commercial real estate and commercial and industrial loans combined. The other consideration showed that the Bank only originated six home loans during the evaluation period. As a result, it was determined that greater emphasis would be given to the Bank's commercial lending for this evaluation. In addition, more weight is given to the number of loans made, rather than the dollar amount, based on the fact that the number of loans more directly correlates to the number of businesses and people served. Small farm loans were not considered since the Bank made no small farm loans during the evaluation period. Consumer lending was also excluded from this analysis since it accounts for a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the June 30, 2011 Report of Condition and Income (Call Reports).

PERFORMANCE CONTEXT

Description of Institution

Established in 2006, Bank of Cape Cod is a state-chartered commercial bank headquartered in Hyannis. In 2010, the Bank reorganized into a holding company structure and formed New England Bancorp Inc., a Massachusetts corporation. In addition to the main office, the Bank operates one full service branch in Osterville. The Hyannis branch is located in a low-income census tract and the Osterville branch is located in an upper-income census tract. Each location is a full-service branch with a drive-up window, 24 hour ATM, and a convenient night drop for business clients. Hours are Monday through Friday 8:30 a.m. – 5:00 p.m. and Saturday 8:30 a.m. until noon. The drive-up window is open during the lobby hours. Bank of Cape Cod is a participating member of the SUM Program, which allows surcharge free ATM transactions to customers of member institutions. The Bank also has one remote ATM (located in a low-income census tract) at the Hy-Line Cruises facility in Hyannis.

Bank of Cape Cod maintains a website at www.bankofcapecod.com. The Bank offers business term loans, commercial mortgages, business lines of credit, home equity loans, automobile loans, collateral loans, and personal loans. The Bank does not originate home loans, although the Bank does have an agreement with another financial institution, in which the Bank takes the mortgage application and passes it on to the other financial institution for underwriting and origination. The Bank also offers checking accounts, business checking accounts, savings accounts, Individual Retirement Accounts (IRA), and certificates of deposit. Additional services include on-line banking, remote deposit, debit card, credit card, electronic federal tax payment, telephone banking, and letters of credit.

It is also noted that the Bank offers U.S. Small Business Administration (“SBA”) loans, and in October 2010, the Boston Business Journal named Bank of Cape Cod as one of the area’s top lenders for SBA 7a guaranteed loans for 2009 and 2010.

As of June 30, 2011, the Bank’s assets totaled \$133 million and loans totaled \$94 million, or 70.5 percent of total assets. Since the prior FDIC evaluation, the Bank’s asset size increased 117.0 percent while total loans increased at a higher rate of 149.1 percent. Table 1 illustrates the current distribution of the Bank’s loan portfolio based on the FFIEC Call Report as of June 30, 2011.

Table 1 Loan Portfolio		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans (%)
Construction and Land Development	1,249	1.3
1-4 Family Residential	9,203	9.8
Multi-Family (5 or more) Residential	5,800	6.2
Commercial Real Estate	57,357	61.0
Total Real Estate Loans	73,609	78.3
Commercial and Industrial	14,674	15.6
Consumer	43	0.1
Lease financing receivables (net of unearned income)	5,640	6.0
Total Loans	93,966	100.0

Source: FFIEC Call Report June 30, 2011

Table 1 illustrates that the Bank is primarily a commercial real estate lender, with a majority of the loan portfolio secured by commercial real estate. As noted in Table 1, approximately 61.0 percent of the loans are secured by commercial real estate properties, followed by commercial and industrial loans at 15.6 percent, one to four-family residential at 9.8 percent, multi-family residential loans at 6.2 percent, construction and land development at 1.3 percent and consumer loans at 0.1 percent. Total real estate loans account for 78.3 percent of the total loan portfolio. In discussions with the Bank's management, it was noted that the Bank is continuing to focus its lending efforts on commercial lending.

The FDIC last evaluated the Bank's CRA performance on May 28, 2008, and assigned a rating of "Satisfactory." This is the first examination for the Division, as well as the first joint examination between the FDIC and the Division.

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the assessment area's credit needs remains strong.

Description of the Assessment Area

The CRA requires financial institutions to define an assessment area or areas within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank's assessment area contains the following towns in Barnstable County: Barnstable, Bourne, Dennis, Falmouth, Mashpee, Sandwich, and Yarmouth. The town of Barnstable consists of seven villages: Barnstable, Centerville, Cotuit, Hyannis, Marston Mills, Osterville and West Barnstable. All of these towns are located in the Barnstable, Massachusetts Metropolitan Statistical Area ("MSA"), known as Cape Cod.

Refer to Table 2 for pertinent demographic information concerning the assessment area.

Table 2 Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (census tracts)	38	5.3	10.5	65.8	18.4
Population by Geography	173,064	2.0	7.3	73.3	17.4
Owner-Occupied Housing by Geography	56,266	0.6	5.1	75.3	19.0
Family Distribution by Income Level	47,918	17.0	19.4	23.8	39.8
Businesses by Geographies	15,886	10.0	6.2	65.2	18.6
Distribution of Low and Moderate Income Families throughout AA Geographies	17,474	3.0	9.4	75.1	12.5
Median Family Income		\$56,359	Median Housing Value		\$178,439
HUD Adjusted Median Family Income for 2011		\$79,000	Unemployment Rate 2000		4.9%
Households Below Poverty Level		7.0%	Unemployment Rate 7/2011		7.6%
Families Below Poverty Level		5.1%	(Bureau of Labor Stats)		

Source: 2000 US Census, 2010 Business Geo-demographics Data, 2011 HUD updated Median Family Income (MFI), 2011 Bureau of Labor Statistics

As the data in Table 2 show, the Bank's assessment area consists of 38 census tracts, of which there are 2 low-income census tracts (5.3 percent), 4 are moderate-income census tracts (10.5 percent), 25 are middle-income census tracts (65.8 percent) and 7 are upper-income census tracts (18.4 percent). The two low-income census tracts are located in Hyannis, while the four moderate-income census tracts are located in Bourne, Dennis, Hyannis, and Sandwich.

The assessment area has a total population of 173,064 residing in 47,918 family households. Of all family households in the area, 17.0 percent are low-income and 19.4 percent are moderate-income and 5.1 percent are families below the poverty level (included in the low-income percentage).

The assessment area consists of 102,504 total housing units, of which 56,266 or 54.9 percent are owner-occupied, 16,273 or 15.9 percent are rental units, and 29,965 or 29.2 percent are vacant units. The large percentage of vacant units is partly due to the fact that many properties are second homes owned for seasonal purposes. Of the 56,266 owner-occupied housing units, 328 or 0.6 percent are in low-income census tracts, while 2,842 or 5.1 percent are in moderate-income census tracts. The median housing value in 2000 for the assessment area was \$178,439 and the median age of the housing stock was 26 years. Recent figures from the Banker and Tradesman show that the assessment area's median home prices in 2010 ranged from a low of \$193,000 in Hyannis to \$440,000 in Barnstable. As of July 2011, the median price ranged from \$193,000 in Hyannis to \$495,000 in Osterville. Home prices in this range generally make homeownership out of reach for low- and moderate-income families and reduce a financial institution's ability to penetrate those markets with residential loan products.

According to the 2010 Business Geo-demographic Data, there are 15,886 businesses in the assessment area, of which 79.3 percent have gross annual revenues of \$1 million or less, 4.0 percent have gross annual revenues greater than \$1 million, and the remaining 16.7 percent have unknown revenues. Of total businesses in the assessment area, 10.0 percent are in low-income census tracts, 6.2 percent are in moderate-income census tracts, 65.2 percent are in middle-income tracts, and 18.6 percent are in upper-income tracts. The highest proportion of these business establishments are engaged in the services industry (47.1 percent). Businesses involved in retail trade (15.3 percent), construction (11.4 percent) and finance, insurance, and real estate (7.6 percent) make up a significant share of the establishments. In terms of employees, approximately 71.5 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are Cape Cod Healthcare, Woods Hole Oceanographic Institute, Air National Guard, Nantucket Airlines, and Ocean Edge Resort and Golf Club.

The unemployment rate statewide for Massachusetts is 7.6 percent according to July 2011 statistics gathered from the Bureau of Labor Statistics. This represents a decrease as compared to the annual percentage of 2009 and 2010, where the unemployment rate in Massachusetts was 8.2 percent and 8.5 percent, respectively. As of July 2011, the unemployment statistics for some of the cities and towns in the assessment area per the Massachusetts Labor and Workforce Development were: Barnstable 6.8 percent, Bourne 8.2 percent, Dennis 7.0 percent, Falmouth 6.8 percent, Mashpee 6.6 percent, Sandwich 6.6 percent, and Yarmouth 7.5 percent.

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are TD Bank, Bank of America, Cape Cod Five Cents Savings Bank, and Cape Cod Co-operative Bank.

Community Contact

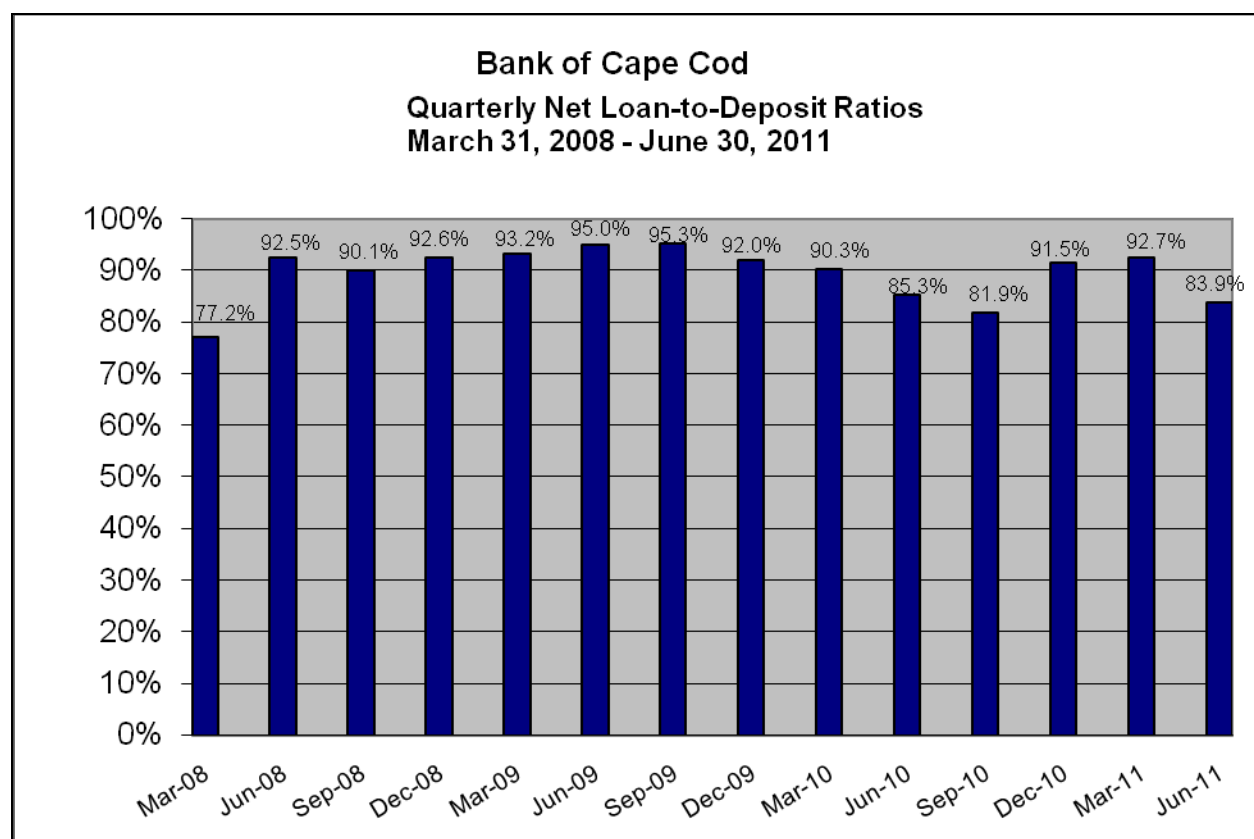
A community contact was conducted with a community development organization that provides local small business owners with technical assistance and funding in coordination with local financial institutions. The contact specifically mentioned that a majority of local financial institutions have been participating in providing small business loans and can be counted on to make financing available to small businesses that need it. The contact did state that there is a need for grants to community development organizations, which have greater flexibility in lending to businesses, especially start-up companies.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (LTD) ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. A comparative analysis was conducted of Bank of Cape Cod's quarterly net LTD ratios for the 14 quarters since the prior FDIC CRA evaluation. The quarters reviewed include those ending March 31, 2008 through June 30, 2011. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period reviewed was 89.3 percent and is considered more than reasonable. As shown in the graph below, the net LTD ratio for this period has fluctuated over the last 14 quarters from a low of 77.2 percent (March 2008) to a high of 95.3 percent (September 2009). During this timeframe, net loans have increased 148.8 percent and deposits have increased 129.0 percent.



For comparison purposes, the Bank's average net LTD ratio was compared against the average net LTD ratios of four similarly situated institutions (similar asset size and loan portfolio composition). Refer to Table 3 for the peer group LTD ratio comparison.

Table 3 Peer Group Net LTD Comparison		
Bank Name	Total Assets \$('000) as of 6/30/11	Average Net LTD Ratio 3/31/08 – 6/30/11
Pilgrim Bank	172,345	79.2
Wakefield Cooperative Bank	147,923	68.4
Bank of Cape Cod	133,251	89.3
Wrentham Cooperative Bank	109,714	60.1
Bank of Easton	107,896	74.1

Source: Report of Condition and Income (Call Reports) June 30, 2011

As shown in Table 3 above, the four other institutions' average quarterly net LTD ratios ranged between 60.1 percent and 79.2 percent. At 89.3 percent, the Bank's average net LTD is greater than of all of the similarly situated financial institutions.

During the evaluation period, the Bank sold four loans totaling \$7.6 million. The loans were sold to multiple investors such as Nashua Bank, United Bank, and Northern Bank and Trust. The Bank also purchased 41 indirect loans totaling \$18.3 million from investors including United Bank, Mercantile Bank, and Nashua Bank. This, in addition to the Bank's net LTD ratio, demonstrates its willingness to reinvest in the community through its lending services.

Based on the above information and the Bank's de novo status, size, financial condition, and assessment area credit needs, the Bank's LTD ratio is considered more than reasonable.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending.

Based on a review of home loan and small business data, 58.2 percent of the Bank's lending activity occurred within the institution's assessment area. Table 4 illustrates the Bank's record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Home Loans

As shown in Table 4, the Bank originated six home loans totaling \$2.9 million in the assessment area during the evaluation period. This represents 54.5 percent of the total number of home loans originated by the Bank and 50.5 percent by dollar volume. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009										
Home Purchase	1	100.0	0	0.0	1	1,650	100.0	0	0.0	1,650
Refinance	0	0.0	1	100.0	1	0	0.0	1,350	100.0	1,350
Home Improvement	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Total	1	50.0	1	50.0	2	1,650	55.0	1,350	45.0	3,000
2010										
Home Purchase	2	66.7	1	33.3	3	625	63.4	361	36.6	986
Refinance	1	33.3	2	66.7	3	525	32.5	1,090	67.5	1,615
Home Improvement	2	100.0	0	0.0	2	125	100.0	0	0.0	125
Total	5	62.5	3	37.5	8	1,275	46.8	1,451	53.2	2,726
YTD2011										
Home Purchase	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Refinance	0	0.0	1	100.0	1	0	0.0	67	100.0	67
Home Improvement	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Total	0	0.0	1	100.0	1	0	0.0	67	100.0	67
Total Home Loan	6	54.5	5	45.5	11	2,925	50.5	2,868	49.5	5,793
Small Business 2009	30	54.5	25	45.5	55	7,900	42.5	10,681	57.5	18,581
Small Business 2010	41	69.5	18	30.5	59	10,848	71.8	4,265	28.2	15,113
Small Business YTD'11	29	50.9	28	49.1	57	7,845	46.9	8,865	53.1	16,710
Total Small Business	100	58.5	71	41.5	171	26,593	52.8	23,811	47.2	50,404
Grand Total	106	58.2	76	41.8	182	29,518	52.5	26,679	47.5	56,197
Source: 2009, 2010 and YTD2011 HMDA LARs and CRA Small Business Loan Registers										

Small Business Lending

Table 4 shows that the Bank originated 100 small business loans totaling \$26.6 million in the assessment area during the period reviewed. This represents 58.5 percent of the total number of small business loans originated by the Bank and 52.8 percent by dollar volume.

Also noted in Table 4 above, the total number of small business loans increased from 2009 to 2010 and continues to increase in 2011. In addition, the percentage of small business loans inside the assessment area increased from 54.5 percent in 2009 to 69.5 percent in 2010, and the dollar amount inside the assessment area increased from 42.5 percent in 2009 to 71.8 percent in 2010. In YTD2011, the Bank has originated 50.9 percent by number inside the assessment area, and 46.9 percent by dollar amount in the assessment area.

The Bank's performance under this criterion is considered reasonable, as a majority of home and small business loans were originated inside the assessment area.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

This performance criterion evaluates the distribution of a Bank's small business loans and residential loans based on borrower characteristics. Analyses were conducted of the Bank's small business loans inside the assessment area based on size of business and the Bank's residential mortgage loans inside the assessment area based on borrower income. For small business lending, emphasis is placed on loans to businesses with gross annual revenues ("GAR") of \$1 million or less, and for residential lending, emphasis is placed on loans to low- and moderate-income borrowers.

Overall, given the demographics of the assessment area, the distribution of borrowers reflects a reasonable penetration among businesses of different sizes and individuals of different income levels, including those of low- and moderate-income.

Small Business Lending

The Bank's small business lending was reviewed to assess how well the Bank is addressing the area's business credit needs. The distribution of borrowers for small business loans reflects a reasonable penetration among businesses of different sizes. Table 5 illustrates the distribution of the Bank's 2010 and YTD2011 small business loans within the assessment area by size of business. For comparison purposes, the table includes the percentage of businesses in the assessment area by GAR category.

Table 5 Distribution of Small Business Loans by Business Size									
GAR \$('000s)	% of Businesses	2010				YTD2011			
		#	%	\$('000)	%	#	%	\$('000)	%
≤ \$1,000	79.3	26	63.4	7,307	67.4	18	62.1	4,881	62.2
> \$1,000	4.0	14	34.2	3,531	32.5	11	37.9	2,964	37.8
Revenue Not Reported	16.7	1	2.4	10	0.1	0	0.0	0	0.0
Total	100.0	41	100.0	10,848	100.0	29	100.0	7,845	100.0

Source: 2010 and YTD2011 Small Business LARs and 2010 Business Geo-demographic Data

As shown in Table 5, the Bank made 63.4 percent of all small business loans to businesses with GAR of \$1 million or less in 2010. While this is lower than the percentage of business in that size category (79.3 percent), the Bank's percentage does reflect a willingness to make loans to small businesses. The Bank's percentage remained constant in YTD2011 at 62.1 percent.

Additionally, an analysis was performed by dollar amount of the loan. Loan amount is used as a proxy for business size based on the assumption that the smaller the loan amount, the smaller the business receiving credit. Refer to Table 6 for further information regarding this analysis.

Table 6 Distribution of Small Business Loans by Loan Size								
Loan Size \$('000s)	2010				YTD2011			
	#	%	\$('000)	%	#	%	\$('000)	%
≤ \$100	15	36.6	786	7.3	9	31.0	344	4.4
> \$100 and ≤ \$250	11	26.8	2,054	18.9	9	31.0	1,725	22.0
> \$250 and ≤ \$1,000	15	36.6	8,008	73.8	11	38.0	5,776	73.6
Total	41	100.0	10,848	100.0	29	100.0	7,845	100.0

Source: 2010 and YTD2011 Small Business Loan Registers

During 2010, 36.6 percent of the Bank's small business loans were in amounts less than \$100,000. Of the remainder, 26.8 percent were between \$100,000 and \$250,000, and 36.6 percent were in amounts between \$250,000 and \$1 million. YTD2011, the percentage of loans in amounts of less than \$100,000 is 31.0 percent, the percentage of loans between \$100,000 and \$250,000 has increased to 31.0 percent and the percentage of loans between \$250,000 and \$1 million increased slightly to 38.0 percent.

Home Loans

During the evaluation period, a total of six home mortgage loans were originated in the Bank's assessment area. In 2009, the Bank originated one loan to a borrower whose income was not available. In 2010, the Bank originated one loan to a low-income borrower, one loan to a middle-income borrower, one loan to an upper-income borrower, and two loans to borrowers whose income was not available. In 2011, the Bank did not originate any home loans inside its assessment area. Due to the low volume of this category of loans, the Bank's performance in home mortgage lending bears little weight on the rating of this criterion.

4. GEOGRAPHIC DISTRIBUTION

The geographic distribution evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts to assess how well the Bank is addressing the credit needs throughout the assessment area. As mentioned previously, the Bank's assessment area contains 38 census tracts, of which 2 are low-income, 4 are moderate-income, 25 are middle-income, and 7 are upper-income.

The overall distribution of the Bank's residential mortgage and small business loans combined reflects a reasonable dispersion throughout the assessment area. The Bank performed particularly well in small business lending in low-income census tracts.

Small Business Lending

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. Table 7 illustrates the geographic distribution of the Bank's small business loans within the assessment area, as well as the business demographics for 2010.

Table 7 Distribution Small Business Loans by Census Tract Income (Excludes tracts for which income not available)					
Loan Category	# of Bank Loans	Percent of Bank Loans			
		Low	Moderate	Middle	Upper
2010	41	51.2	2.4	31.8	14.6
YTD2011	29	41.4	0.0	44.8	13.8
Demographics	#	Distribution of Businesses			
		Low	Moderate	Middle	Upper
Businesses	15,886	10.0	6.2	65.2	18.6

Source: 2010 and YTD2011 CRA Small Business Loan Registers and 2010 Business Geo-demographic Data

As shown in Table 7, the highest proportion of businesses, (65.2 percent) are located in the middle-income census tracts. Only 10.0 percent of businesses are in the low-income tracts and only 6.2 percent are in the moderate-income tracts. This breakdown is similar to the distribution of census tracts within the assessment area by income level.

In 2010, the Bank originated 51.2 percent of its small business loans in the low-income census tracts. This performance is significantly higher than the business percentage of 10.0 percent. For YTD2011, the Bank originated 41.4 percent of small business loans in low-income census tracts. This represents a decline; however, the percentage is still well above the demographics.

In 2010, the Bank originated 2.4 percent of small business loans in the moderate-income census tracts, which was below the demographic percentage of 6.2 percent, but is still considered adequate. The Bank made no loans in moderate-income tracts in the first half of 2011.

Home Loans

In 2009, the Bank originated one home loan which was located in a moderate-income census tract. In 2010, the Bank originated five home mortgage loans, of which two were in moderate-income census tracts, two were in middle-income census tracts, and one was in an upper-income census tract. In YTD2011, the Bank did not originate any home loans inside its assessment area. Due to the low volume of loans, the Bank's performance in this criterion was considered to weigh little in the overall rating of this examination.

5. RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion does not bear any weight on the rating.

APPENDIX A
Fair Lending Policies and Procedures

Bank of Cape Cod's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues. There was no disparate treatment evident in the file review.

Specific areas pertaining to prohibited activity, advertising practices, loan review, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 173,064 individuals of which 7.0 percent are minorities. The assessment areas minority and ethnic population is 1.8 percent Black/African American, 0.7 percent Asian, 0.6 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 1.4 percent Hispanic or Latino and 2.5 percent other.

For 2009, 2010 and YTD2011, the Bank received six HMDA reportable loan applications from within its assessment area. Of these applications, none were received from minority applicants. For the same time period, the Bank did not receive any applications from ethnic groups of Hispanic origin within its assessment area.

The Bank's minority application flow could not be compared to the aggregate's lending performance levels and the assessment area demographics due to the lack of minority applications received by the Bank.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 232 Main Street, Hyannis, MA 02601."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.